

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program and
Other Distributed Generation Issues.

Rulemaking 10-05-004
(Filed May 6, 2010)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
QUARTERLY REPORT ON THE CALIFORNIA SOLAR
INITIATIVE BUDGET IN COMPLIANCE WITH
DECISION 10-09-046**

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October 20, 2010

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I. SUMMARY

Pacific Gas and Electric Company (PG&E) makes this filing in compliance with Ordering Paragraph 6 of Decision (D.) 10-09-046, which directed the Program Administrators (PAs) of the California Solar Initiative (CSI) to file quarterly budget reports. In compliance with that decision, PG&E hereby submits this CSI Budget Report from data as of September 30th 2010 as required by Ordering Paragraph 6 of that Decision.

II. BUDGET REPORT

A. Background

On September 23, 2010, the California Public Utilities Commission issued Decision 10-09-046, which states:

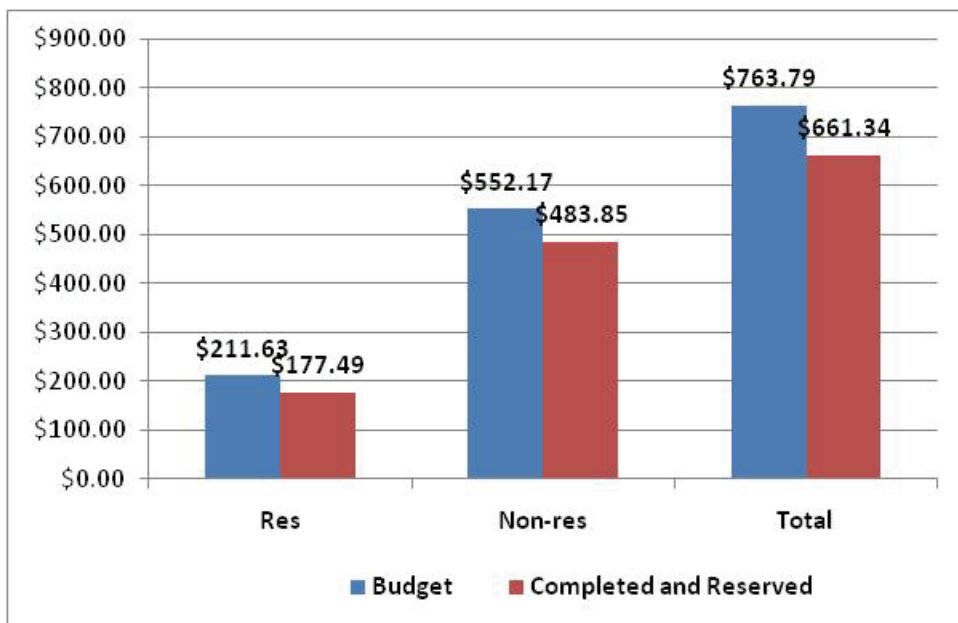
On a quarterly basis commencing October 20, 2010, the California Solar Initiative Program Administrators shall file in this or any successor proceeding a report indicating all dollars encumbered by the program by residential and non residential customer segments, including total incentives paid and reserved. This report should include the full amount of monies that are anticipated to be required for performance-based incentive payments to systems subscribed under the program as well as an estimate of the monies that will be needed for that Program Administrator to reach its megawatt program goals. The report should include incentives paid and reserved by step level to the extent possible. The first report should include data through September 30, 2010. The report should be filed quarterly thereafter. The California Solar Initiative Program Administrators shall coordinate with Energy Division to ensure consistency in report formatting.

D.10-09-046, Ordering paragraph 6.

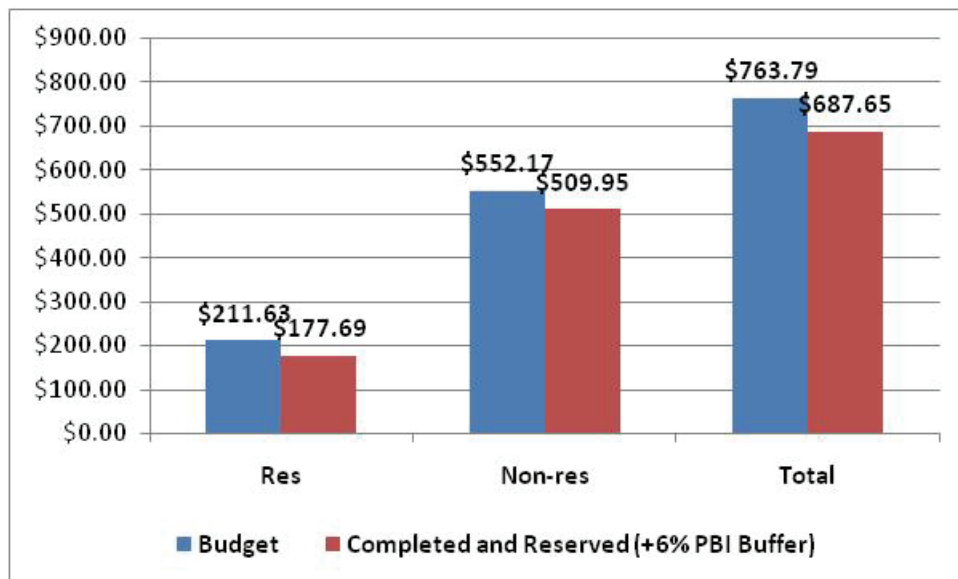
We support the conclusion that the CSI PAs should provide increased information to the public, the solar industry, and CPUC, so that they know where each PA is with their respective CSI incentive allocations. This report is PG&E's first attempt at providing the requested information to further provide transparency on the CSI incentive budget. Although PG&E is filing on our own behalf, we have worked with the other CSI PAs and the CPUC Energy Division extensively on how data for this report should be calculated. We will continue to work with the other CSI PAs and the CPUC Energy Division to further refine this report in subsequent filings.

B. Budget Report

As of September 30th 2010, PG&E has completed and reserved \$661.338 million from the newly revised CSI budget of \$763.793 million per D.10-09.046. Completed Projects are those projects that have reached either "PBI In-Payment" or "Completed" statuses. Reserved Projects are those projects that have reached at least one of the following statuses: "Pending RFP", "Reservation Reserved", or "Confirmed Reservation." Below are two graphs that represent the completed and reserved totals for both the residential and non-residential sectors respectively with their incentive budget caps.



At this time, PG&E and the other PAs have decided to also include a 6% buffer increase for all PBI projects that have been completed and reserved. As expressed in previous public comments, approved PBI projects may perform better than what the CSI program has reserved for them for the five years. Therefore, to ensure that the CSI PAs have adequate funds to pay these approved PBI customers and to ensure the CSI PAs do not oversubscribe the CSI program, we are including a 6% dollar increase to all PBI project figures. As we continue to learn more and start to finish paying incentives to PBI projects, we will make adjustments to this percentage as appropriate and/or further refine our incentive estimates. With this buffer applied, below are revised graphs with the 6% PBI buffer increase applied to the total completed and reserved incentive amounts.



With the buffer applied to the totals, as of September 30, 2010, PG&E has the following CSI incentives available for each sector:

Host Customer Sector	Total Completed and Reserved (w/buffer)	Incentive Budget	Incentives Available
Residential	\$177.69	\$211.63	\$33.94
Non-Residential	\$509.95	\$552.17	\$42.21
Total	\$687.65	\$763.79	\$76.15

PG&E realizes that at this time, there is currently a budget shortfall to reach our MW goals. As of September 30, 2010, PG&E has the following MWs available in the remaining Steps^{1/}:

Steps	Residential (MW)	Non-Residential (MW)
7	7.6	0.0
8	36.1	59.7
9	41.1	83.4
10	50.5	102.5
Total	135.3	245.6

Based on forecasting the amount of incentives it would take to reach the remaining MWs above, it is estimated that PG&E will have a potential shortfall as shown below (as of September 30th 2010 dollar values expressed in millions):

Host Customer Sector	Current Incentives Available	Incentive Needed to Reach MW Goals	Current Incentive Shortfall
Residential	\$33.94	\$38.05	\$4.12
Non-Residential	\$42.21	\$131.12	\$88.91
Total	\$76.15	\$169.17	\$93.03

In this forecast, each remaining MW was split by step for both Residential and Non-Residential sectors using current EPBB and PBI participation rates (for all projects completed and reserved) for PG&E. After assigning the EPBB and PBI proportions by step, the incentives were calculated using step appropriate incentive rates (PBI rate was adjusted to its equivalent EPBB rate).

Although there seems to be a budget shortfall of about \$93.03M, this incentive budget shortfall could change as we may potentially receive more dropouts and as we further refine the PBI incentive buffer that is currently applied to PBI projects.

^{1/} As of September 30, 2010, PG&E is currently receiving applications for Step 7 residential and Step 8 non-residential; therefore, these are the MWs remaining. The subsequent Steps are the original allocated MWs for PG&E.

C. Additions to Future Reports

Given the tight time constraints, PG&E was not able to include the electric portion of the CSI Thermal into the totals. At this time, the applications received and completed for the electric CSI Thermal program are minimal (\$13,750). PG&E will include this information in our next Quarterly report.

Lastly, PG&E and the other CSI PAs are working to implement these budget updates on the California Solar Statistics website (www.californiasolarstatistics.ca.gov). PG&E along with the other PAs intends to make this information available online to be viewed weekly by the next Quarterly update.

III. CONCLUSION

PG&E appreciates the opportunity to provide this information to the Commission and the parties.

Respectfully submitted,

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By: _____/s/
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PACIFIC GAS AND ELECTRIC COMPANY

October 20, 2010

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is 77 Beale Street, San Francisco, California 94105.

On October 20, 2010, I served a true copy of:

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QUARTERLY REPORT ON THE CALIFORNIA SOLAR INITIATIVE
BUDGET IN COMPLIANCE WITH DECISION 10-09-046**

- [XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.10-05-004 and with an e-mail address.
- [XX] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official service list for R.10-05-004 without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 20th day of October, 2010, at San Francisco, California.

/s/

PATRICIA A. KOKASON